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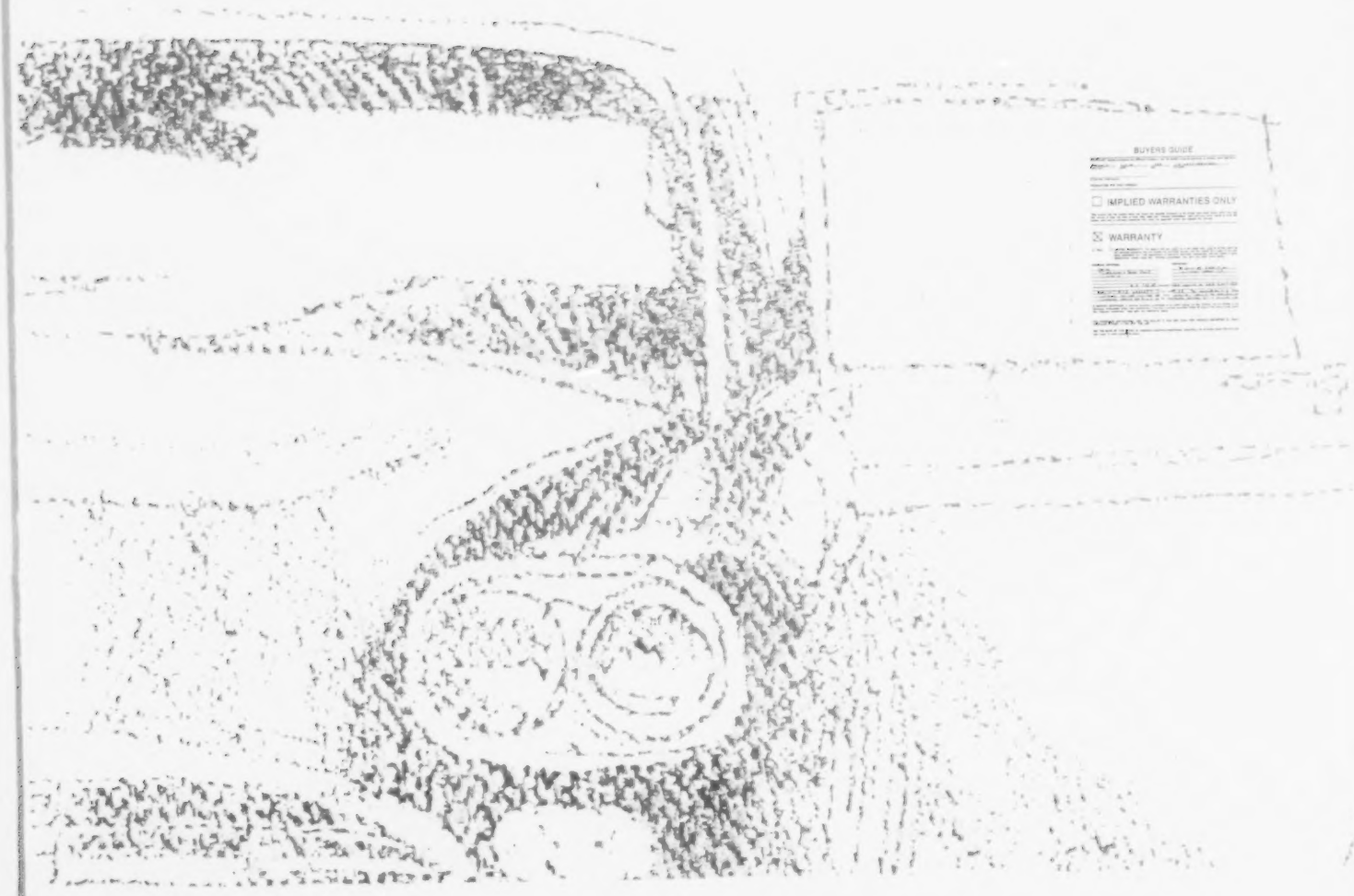
Buying A Used Car



FT 1.2:

Consumer Information from the Federal Trade Commission

This year, more than 16 million Americans will buy a used car. If that's what you are planning, this brochure from the Federal Trade Commission (FTC) may help you. It explains your protections under the FTC's Used Car Rule and offers some shopping suggestions, even if you are not buying from a used car dealer.

Before you begin looking at used cars, think about what car models and options you want and how much you are able or willing to spend. You can learn about car models, options, and prices by reading newspaper ads, both display and classified. Also, your local library and book stores have magazines that discuss and compare car models, options, and costs, as well as provide information about frequency-of-repair records, safety tests, and mileage. The U.S. Department of Transportation Auto Safety Hotline (800-424-9393) will tell you if a car model has ever been recalled and send you information about that recall.

If You Want to Buy a Used Car

Costs. Remember, the real cost of a car includes more than the purchase price: it includes loan terms, such as interest rates and the length of the loan. If you plan to finance the car, you need to know how much money you can put down and how much you can pay monthly. Dealers and lending institutions offer a variety of interest rates and payment schedules, so you will want to shop for terms. If, for example, you need low monthly payments, consider making a large down payment or getting financing that will stretch your payments over five years, rather than the usual three. Of course, this longer payment period means paying more interest and a higher total cost.

Reliability. You can learn how reliable a model is by checking in publications for the frequency-of-repair records. Find out what models have repair facilities in a location convenient to you and if parts are readily available at the repair facility.

Dealer Reputation. Find out from experienced people whose opinions you respect which dealers in your area have good reputations for sales and service. You may wish to call your local consumer protection office and the Better Business Bureau to find out if they have any complaints against particular dealers.

If You Buy a Used Car From a Dealer

If you go to a dealer for a used car, look for a "Buyers Guide" sticker on the window of each car. The Buyers Guide, required by the Federal Trade Commission's Used Car Rule, gives you important information and suggestions to consider. The Buyers Guide tells you:

- Whether the vehicle comes with a warranty and, if so, what specific protection the dealer will provide;
- Whether the vehicle comes with no warranty ("as is") or with implied warranties only;
- That you should ask to have the car inspected by an independent mechanic before you buy;
- That you should get all promises in writing; and
- What some of the major problems are that may occur in any car.

The Used Car Rule requires dealers to post the Buyers Guide on all used vehicles, including automobiles, light-duty vans, and light-duty trucks. "Demonstrator" cars also must have Buyers Guides. But Buyers Guides do not have to be posted on motorcycles and most recreational vehicles. Individuals selling fewer than six cars a year are not required to post Buyers Guides.

Whenever you purchase a used car from a dealer, you should receive the original or an identical copy of the Buyers Guide that appeared in the window of the vehicle you bought. The Buyers Guide must reflect any changes in warranty coverage that you may have negotiated with the dealer. It also becomes a part of your sales contract and overrides any contrary provisions that may be in that contract.

As you read this brochure, you can refer to the Buyers Guide, shown on pages 2 and 3.

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

VEHICLE MAKE | MODEL | YEAR | VIN NUMBER

DEALER STOCK NUMBER (Optional)

WARRANTIES FOR THIS VEHICLE:

☐ AS IS - NO WARRANTY

YOU WILL PAY ALL COSTS FOR ANY REPAIRS. The dealer assumes no responsibility for any repairs regardless of any oral statements about the vehicle.

☐ WARRANTY

☐ FULL ☐ LIMITED WARRANTY. The dealer will pay _____% of the labor and _____% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "implied warranties" may give you even more rights.

SYSTEMS COVERED:	DURATION:

☐ SERVICE CONTRACT. A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

PRE PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.

SEE THE BACK OF THIS FORM for important additional information, including a list of some major defects that may occur in used motor vehicles.

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

VEHICLE MAKE MODEL YEAR VIN NUMBER

DEALER STOCK NUMBER (Optional)

WARRANTIES FOR THIS VEHICLE:

☐ IMPLIED WARRANTIES ONLY

This means that the dealer does not make any specific promises to fix things that need repair when you buy the vehicle or after the time of sale. But, state law "implied warranties" may give you some rights to have the dealer take care of serious problems that were not apparent when you bought the vehicle.

☐ WARRANTY

☐ FULL ☐ LIMITED WARRANTY. The dealer will pay _____% of the labor and _____% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "implied warranties" may give you even more rights.

SYSTEMS COVERED:	DURATION:

☐ SERVICE CONTRACT. A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

PRE PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.

SEE THE BACK OF THIS FORM for important additional information, including a list of some major defects that may occur in used motor vehicles.

Below is a list of some major defects that may occur in used motor vehicles.

Frame & Body
- Frame-cracks, corrective welds, or rusted through
- Dogtracks—bent or twisted frame

Engine
- Oil leakage, excluding normal seepage
- Cracked block or head
- Belts missing or inoperable
- Knocks or misses related to camshaft lifters and push rods
- Abnormal exhaust discharge

Transmission & Drive Shaft
- Improper fluid level or leakage, excluding normal seepage
- Cracked or damaged case which is visible
- Abnormal noise or vibration caused by faulty transmission or drive shaft
- Improper shifting or functioning in any gear
- Manual clutch slips or chatters

Differential
- Improper fluid level or leakage excluding normal seepage
- Cracked or damaged housing which is visible
- Abnormal noise or vibration caused by faulty differential

Cooling System
- Leakage including radiator
- Improperly functioning water pump

Electrical System
- Battery leakage
- Improperly functioning alternator, generator, battery, or starter

Fuel System
- Visible leakage

Inoperable Accessories
- Gauges or warning devices
- Air conditioner
- Heater & Defroster

Brake System
- Failure warning light broken
- Pedal not firm under pressure (DOT spec.)
- Not enough pedal reserve (DOT spec.)
- Does not stop vehicle in straight line (DOT spec.)
- Hoses damaged
- Drum or rotor too thin (Mfgr. Specs)
- Lining or pad thickness less than 1/32 inch
- Power unit not operating or leaking
- Structural or mechanical parts damaged

Steering System
- Too much free play at steering wheel (DOT specs.)
- Free play in linkage more than 1/4 inch
- Steering gear binds or jams
- Front wheels aligned improperly (DOT specs.)
- Power unit belts cracked or slipping
- Power unit fluid level improper

Suspension System
- Ball joint seals damaged
- Structural parts bent or damaged
- Stabilizer bar disconnected
- Spring broken
- Shock absorber mounting loose
- Rubber bushings damaged or missing
- Radius rod damaged or missing
- Shock absorber leaking or functioning improperly

Tires
- Tread depth less than 2/32 inch
- Sizes mismatched
- Visible damage

Wheels
- Visible cracks, damage or repairs
- Mounting bolts loose or missing

Exhaust System
- Leakage

DEALER

ADDRESS

SEE FOR COMPLAINTS

IMPORTANT: The information on this form is part of any contract to buy this vehicle. Removal of this label before consumer purchase (except for purpose of test-driving) is a violation of federal law (16 C.F.R. 455).

"As Is — No Warranty"

About one-half of all used cars sold by dealers come "as is," which means there is no express or implied warranty. If you buy a car "as is" and have problems with it, you must pay for any repairs yourself. When the dealer offers a vehicle for sale "as is," the box next to the "As Is — No Warranty" disclosure on the Buyers Guide will be checked. If this box is checked but the dealer makes oral promises to repair the vehicle, have the dealer put those promises in writing on the Buyers Guide.

Some states (Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New York, Rhode Island, Vermont, West Virginia and the District of Columbia) do not permit "as is" sales for most or all used motor vehicles.

"Implied Warranties Only"

Implied warranties exist under all state laws and come with almost every purchase from a used car dealer, unless the dealer tells you in writing that implied warranties do not apply. Usually, dealers use the words "as is" or "with all faults" to disclaim implied warranties. Most states require the use of specific words.

The "warranty of merchantability" is the most common type of implied warranty. This means that the seller promises that the product will do what it is supposed to do. For example, a car will run, a toaster will toast.

Another type of implied warranty is the "warranty of fitness for a particular purpose." This applies when you buy a vehicle on the dealer's advice that it is suitable for a particular use. For example, a dealer who suggests that you buy a specific vehicle for hauling a trailer warrants, in effect, that the vehicle will be suitable for hauling a trailer.

If you buy a vehicle with a written warranty, but problems arise that the warranty does not cover, you may still be protected by implied warranties. Any limitation on the duration of implied warranties must appear on the written warranty.

In those states that do not permit "as is" sales by dealers, or if the dealer offers a vehicle with only implied warranties, a disclosure entitled "Implied Warranties Only" will be printed on the Buyers Guide in place of the "As Is" disclosure. The box next to this disclosure would be checked if the dealer chooses to sell the car with implied warranties and no written warranty. A copy of the "Implied Warranties Only" disclosure is shown on page 3.

Dealer Warranties

When dealers offer a written warranty on a used vehicle, they must fill in the warranty portion of the Buyers Guide. Because the terms and conditions of written warranties can vary widely, you may find it useful to compare warranty terms on cars or negotiate warranty coverage.

Dealers may offer a full or limited warranty on all or some of the systems or components of the vehicle. A "full" warranty provides the following terms and conditions.

- Warranty service will be provided to anyone who owns the vehicle during the warranty period when a problem is reported.
- Warranty service will be provided free of charge, including such costs as returning the vehicle or removing and reinstalling a system covered by the warranty, when necessary.
- At your choice, the dealer will provide either a replacement or a full refund if the dealer is unable, after a reasonable number of tries, to repair the vehicle or a system covered by the warranty.
- Warranty service is provided without requiring you to perform any reasonable duty as a precondition for receiving service, except notifying the dealer that service is needed.
- No limit is placed on the duration of implied warranties.

If any one of the above statements is not true, then the warranty is "limited." A "full" or "limited" warranty need not cover the entire vehicle. The dealer may specify only certain systems for coverage under a warranty. Most used car warranties are "limited," which usually means you will have to pay some of the repair costs. By giving a "limited" warranty, the dealer is telling you that there are some costs or responsibilities that the dealer will not assume for systems covered by the warranty.

If the dealer offers a full or limited warranty, the dealer must provide the following information in the "Warranty" section of the Buyers Guide:

- The percentage of the repair cost that the dealer will pay. For example, "the dealer will pay 100% of the labor and 100% of the parts. . . .";
- The specific parts and systems, such as the frame, body, or brake system that are covered by the warranty. The back of the Buyers Guide contains a list of descriptive names for the major systems of an automobile where problems may occur;
- The duration of the warranty for each covered system. For example, "30 days or 1,000 miles, whichever occurs first"; and
- Whether a deductible applies.

Under another federal law, the Magnuson-Moss Warranty Act, you have a right to see a copy of the dealer's warranty before a purchase. Examine the warranty carefully *before* you buy to see what is covered and what is not. It contains more detailed information than the Buyers Guide, such as a step-by-step explanation of how to obtain repairs if a covered system or component malfunctions. Also check who is legally responsible for fulfilling the terms of the warranty. If a third party is responsible, the best way to avoid potential problems is to make sure that the third party is reputable and insured. You can do this by asking the company for the name of their insurer and then checking its performance record with your local Better Business Bureau.

Unexpired Manufacturer's Warranties

If the used vehicle is still covered by the manufacturer's original warranty, the dealer may include it in the "systems covered/duration" section of the Buyers Guide. This does not necessarily mean that the dealer offers a warranty in addition to the manufacturer's. In some cases, a manufacturer's original warranty can be transferred to a second owner only upon payment of a fee. If you have any questions, ask the dealer to let you examine any unexpired warranty on the vehicle.

Service Contracts

When you buy a car, you may be offered a service contract, which you can buy for an extra cost. In deciding whether you want a service contract, consider:

- Whether the warranty that comes with your car already covers the same repairs that you would get under the service contract or whether the service contract protection begins after the warranty runs out. Does the service contract extend longer than the time you expect to own the car? If so, is the service contract transferable or is a shorter contract available?
- Whether the vehicle is likely to need repairs and their potential costs. The value of a service contract is determined by whether the cost of repairs is likely to be greater than the price you pay for the service contract protection.
- Whether the service contract covers all parts and systems of the car. Check out all claims carefully. Claims that coverage is "bumper to bumper" may not be entirely accurate.
- Whether there is a deductible required, and, if so, consider the amount and terms of the deductible.
- Whether the contract covers incidental expenses, such as towing and the costs of a rental car while your car is being serviced.
- Whether repairs and routine maintenance, such as oil changes, can be performed at locations other than the dealership from which you purchased the contract.
- Whether there is a cancellation and refund policy for the service contract, and what the costs are if you cancel.
- Whether the dealer or company offering the service contract is reputable. Read the contract carefully to determine who is legally responsible for fulfilling the terms of the contract. Some dealers sell service contracts that are backed by a third party. If a third party is responsible, you may wish to ask if the company is insured and to check the company's performance with your local Better Business Bureau.

If a service contract is offered, the dealer must mark the box provided on the Buyers Guide, except in those states that regulate service contracts under their insurance laws. If the Buyers Guide does not include a reference to a service contract, and you are interested, ask the salesperson whether one is available.

When you purchase a service contract from the dealer within 90 days of buying the vehicle, federal law prohibits the dealer from disclaiming implied warranties on the systems covered in that service contract. For example, if you buy a car "as is," the car normally will not be covered by implied warranties.

But if you buy a service contract covering the engine, you automatically get implied warranties on the engine, which may give you protection beyond the scope of the service contract. Make sure you receive a *written* confirmation that your service contract is in effect.

Spoken Promises
The Buyers Guide warns consumers not to rely on spoken promises. Oral promises are difficult, if not impossible, to enforce. Make sure all promises you want are written into the Buyers Guide and keep it. It is proof of the promises.

Pre-Purchase Independent Inspection
The Buyers Guide also suggests you ask the dealer whether you may have the vehicle inspected by your own mechanic. Some dealers will let you take the car off the lot to get an independent inspection. Others may have reasons, such as insurance restrictions, for denying this request. In such a case, the dealer may permit you to bring an independent mechanic to the used car on the lot. A dealer who refuses to allow any independent inspection may be telling you something about the condition of the car.

Remember, a good-looking car, or a car that comes with a warranty, does not necessarily run well. An independent inspection lets you find out about the mechanical condition of the vehicle *before* you buy it. Although an inspection fee by a mechanic may seem high, when you compare it to the price of the car, it can be worth the cost.

Vehicle Systems
The Buyers Guide includes a list of the 14 major systems of an automobile and some of the major problems that may occur in these systems. You may find this list helpful to evaluate the mechanical condition of the vehicle. The list also may be useful when comparing warranties offered on different cars or by different dealers.

Dealer Identification and Consumer Complaint Information
On the back of the Buyers Guide, you will find the name and address of the dealership. In the space below that, you will find the name and telephone number of the person at the dealership to contact if you have any complaints after the sale.

Spanish Language Sales
If you buy a used car and the sales talk is conducted in Spanish, you are entitled to see and keep a Spanish-language version of the Buyers Guide.

If You Buy a Used Car From a Private Party

Many cars are available privately, such as through classified ads in a newspaper. If you are shopping for a car from an individual, you should understand several differences between sales made by individuals and by dealers.

- Private sellers generally are *not* covered by the Used Car Rule and therefore, do not have to use the Buyers Guide. However, you still can follow the Guide's suggestions. For example, you can refer to the list of potential problems displayed on the back of the Buyers Guide shown in this brochure. In addition, ask the seller whether you may have the vehicle inspected by your own mechanic and whether you may take it on a test drive.
- Private sales usually are not covered by the "implied warranties" of state law. So, a private sale probably will be on an "as is" basis, unless your contract with the seller specifically provides otherwise. If you have a written contract, the seller must live up to the promises stated in the contract. Depending on its age, the car also may be covered by a manufacturer's warranty or a separately purchased service contract. However, warranties and service contracts may not be transferable, or there may be limitations or costs for a transfer. Before you purchase the car, ask the seller to let you examine any warranty or service contract on the vehicle.
- Many states require that dealers, *but not individuals*, ensure that their vehicles will pass state inspection or carry a minimum warranty before they offer them for sale. Ask your state's attorney general's office or a local consumer protection office about the requirements on individuals and on dealers in your state.

Before You Buy Any Used Car

If you are interested in a particular car, ask the dealer or owner if you can take it on a test drive. Try to drive

the car under many different conditions, such as on hills, highways, and in stop-and-go traffic.

You also may want to ask the dealer or owner whether the car has ever been in an accident. Find out as much as you can about the car's prior history and maintenance record. Getting an independent inspection by an experienced mechanic is a good idea before purchasing any used car.

Be prepared to negotiate. Many dealers and individuals are willing to bargain on price and/or on warranty coverage.

If You Have Problems

If something goes wrong with your car and you think that it is covered by a warranty (either express or implied) or a service contract, refer to the terms of the warranty or contract for instructions on how to get service. If a dispute arises concerning the problem, there are several steps you can take.

Try To Work It Out With The Dealer

First, try to resolve the problem with the salesperson or, if necessary, speak with the owner of the dealership. Many problems can be resolved at this level. However, if you believe that you are entitled to service, but the dealer disagrees, you can take other steps.

If your warranty is backed by a car manufacturer and you have a dispute about either service or coverage, contact the local representative of the manufacturer. This local or "zone" representative has the authority to adjust and make decisions about warranty service and repairs to satisfy customers.

Some manufacturers also are willing to repair certain problems in specific models free of charge, even if the manufacturer's warranty does not cover the problem. Ask the manufacturer's zone representative or the service department of a franchised dealership that sells your car model whether there is such a policy.

Other Approaches You Can Try

If you cannot get satisfaction from the dealer or from a manufacturer's zone representative, contact the Better Business Bureau or a state agency, such as the office of the attorney general, the department of motor vehicles, or a consumer protection office. Many states also have county and city offices that intervene or mediate on behalf of individual consumers to resolve complaints.

You also might consider using a dispute resolution organization to arbitrate your disagreement if you and the dealer are willing. Under the terms of many warranties, this may be a required first step before you can sue the dealer or manufacturer. Check your warranty to see if this is the case.If you bought your car from a franchised dealer, you may be able to seek mediation through the Automotive Consumer Action Program (AUTOCAP), a dispute resolution program coordinated nationally by the National Automobile Dealers Association and sponsored through state and local dealer associations in many cities. Check with the dealer association in your area to see if they operate a mediation program.

If none of these steps is successful, you can consider going to small claims court, where you can resolve disputes involving small amounts of money for a low cost, often without an attorney. The clerk of your local small claims court can tell you how to file a suit and what the dollar limit is in your state.

The Magnuson-Moss Warranty Act also may be helpful. Under this federal law, you can sue based on breach of express warranties, implied warranties, or a service contract. If successful, consumers can recover reasonable attorney's fees and other court costs. A lawyer can advise you if this law applies to your situation.

For Further Help

If you want additional information about warranties or service contracts or about new car leasing or buying, send for these free FTC brochures:

- **Warranties**
- **Service Contracts**
- **Car Ads: Low-Interest Loans and Other Offers**
- **New Car Buying Guide**
- **A Consumer Guide to Vehicle Leasing**

Write: Public Reference, Federal Trade Commission, Washington, DC 20580.

If you have additional questions about the Used Car Rule, contact the Federal Trade Commission Office nearest you.

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